

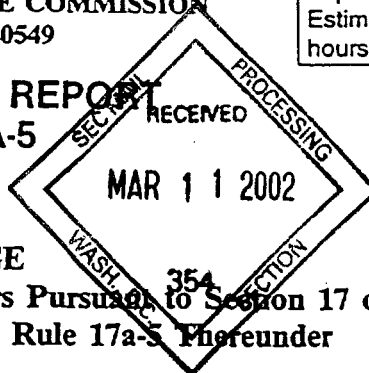


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UNITED STATES  
AND EXCHANGE COMMISSION  
Washington, D.C. 20549

U#3-21-02

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER
8 24512

## FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING JANUARY 1, 2001 AND ENDING DECEMBER 31, 2001  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

## NAME OF BROKER-DEALER:

YOUNG, STOVALL AND COMPANY

## ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

9627 SOUTH DIXIE HIGHWAY

(No. and Street)

MIAMI

FLORIDA

33156

(City)

(State)

(Zip Code)

## NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

ROARK A. YOUNG

305-666-2511

(Area Code — Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

## INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PINCHASIK, STRONGIN, MUSKAT, STEIN &amp; COMPANY, P.A.

(Name — if individual, state last, first, middle name)

3225 AVIATION AVENUE

MIAMI

FLORIDA

33133

(Address)

(City)

(State)

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 4 2002

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

I, ROARK YOUNG, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of YOUNG, STOVALL & CO., as of DEC. 31, 192002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



Lisette C. Hernandez  
Commission # CC 834941  
Expires May 10, 2003  
Bonded Thru  
Atlantic Bonding Co., Inc.

[Signature]  
Notary Public

Roark Young  
Signature

PRESIDENT

Title

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**YOUNG, STOVALL AND COMPANY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2001**

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# PINCHASIK · STRONGIN · MUSKAT · STEIN & COMPANY

A Professional Association of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

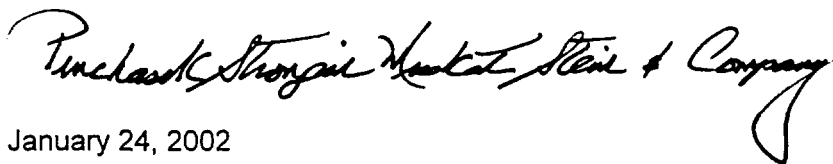
To the Board of Directors  
Young, Stovall and Company  
Miami, Florida

We have audited the accompanying statement of financial condition of Young, Stovall and Company as of December 31, 2001 and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of creditors and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young, Stovall and Company as of December 31, 2001 and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



January 24, 2002

**YOUNG, STOVALL AND COMPANY**  
**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2001**

**ASSETS**

Cash and cash equivalents	\$ 248,698
Securities owned	
Marketable - at market value	24,930
Not readily marketable - at estimated fair value	102,300
Receivable from clearing broker	314,465
Property and equipment	71,028
Other assets	<u>42,682</u>
	<u>\$ 804,103</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Commissions payable	\$ 86,318
Accrued expenses	71,151
Clearance account payable	<u>25,112</u>
	<u>182,581</u>

**CONTINGENCIES**

**STOCKHOLDERS' EQUITY**

Common stock (\$1 par value; 1,000 shares authorized; 625 shares issued and outstanding)	625
Additional paid-in capital	74,375
Retained earnings	<u>546,522</u>
	<u>621,522</u>
	<u>\$ 804,103</u>

See Notes to financial statements.

YOUNG, STOVALL AND COMPANY

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2001

REVENUES

Commissions	\$3,054,023
Interest	24,622
Other	450,051
Net unrealized losses	( 39)
Net realized gains	953
	<u>3,529,610</u>

DIRECT COSTS

Clearing charges and floor brokerage	274,285
Commissions	812,574
	<u>1,086,859</u>

INCOME BEFORE GENERAL AND  
ADMINISTRATIVE EXPENSES

2,442,751

GENERAL AND ADMINISTRATIVE EXPENSES

Advertising	5,184
Automotive	9,456
Depreciation	40,831
Dues and subscriptions	162,347
Employee compensation	480,768
Employee benefit	18,471
Entertainment	26,823
Insurance	113,162
Interest	2,459
Legal and professional	45,795
Licenses and taxes	10,978
Office	73,411
Officers' compensation	279,339
Other	43,108
Payroll taxes	100,944
Repairs and maintenance	6,582
Rent	168,000
Service contracts	174,651
Telephone	75,988
Travel	27,753
	<u>1,866,050</u>

NET INCOME

\$ 576,701

See Notes to financial statements.

**YOUNG, STOVALL AND COMPANY**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2001**

	<u>Common Stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
<b>BALANCES –</b> January 1, 2001	\$ 625	\$ 74,375	\$806,894	\$881,894
Net income			576,701	576,701
Dividend distributions	<u>          </u>	<u>          </u>	( 837,073)	( 837,073)
<b>BALANCES -</b> December 31, 2001	<u>\$ 625</u>	<u>\$ 74,375</u>	<u>\$546,522</u>	<u>\$621,522</u>

See Notes to financial statements.



YOUNG, STOVALL AND COMPANY

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF CREDITORS

YEAR ENDED DECEMBER 31, 2001

SUBORDINATED LIABILITIES -

January 1, 2001

\$ 0

Increases

0

Decreases

0

SUBORDINATED LIABILITIES -

December 31, 2001

\$ 0

See Notes to financial statements.

**YOUNG, STOVALL AND COMPANY**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2001**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$576,701
Adjustments to reconcile net income to net cash provided by operating activities:	
Net realized investment gain	( 953)
Unrealized investment loss	39
Depreciation	40,831
Changes in operating assets and liabilities:	
Increase in receivable from clearing broker	( 44,016)
Decrease in other assets	17,663
Increase in commissions payable	17,230
Increase in clearance account payable	25,112
Increase in accrued expenses	<u>9,645</u>
Net cash provided by operating activities	<u>642,252</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of property and equipment	( 4,325)
Proceeds from sales less purchases of marketable securities	<u>56,910</u>
Net cash provided by investing activities	<u>52,585</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Stockholder dividend distributions	( 837,073)
------------------------------------	------------

<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>( 142,236)</b>
--	-------------------

<b>CASH AND CASH EQUIVALENTS - beginning</b>	<b><u>390,934</u></b>
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<b>CASH AND CASH EQUIVALENTS - ending</b>	<b><u>\$248,698</u></b>
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See Notes to financial statements.

YOUNG, STOVALL AND COMPANY  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Business

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD).

The Company does not maintain customer accounts and does not hold securities. All transactions are cleared through another broker dealer under a full disclosure agreement.

Revenue Recognition

Customer securities transactions are recorded on a settlement date basis with related commission income and expenses recorded on a trade date basis.

Securities Owned

Marketable securities are valued at market value and securities not readily marketable are valued at fair value as determined by the Board of Directors. The resulting differences between cost and market value (fair value) are included in income.

Statement of Cash Flows

Cash and cash equivalents include deposits at banks and money market accounts.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the related assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates; however, management does not believe these differences would have a material effect on operating results.

YOUNG, STOVALL AND COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

Income Taxes

The Company has elected to be taxed under Subchapter S of the Internal Revenue Code. Accordingly, income or loss subject to income tax is included in the stockholders' taxable income. Therefore, no provision for income taxes is recorded in the accompanying financial statements.

**NOTE 2 - SECURITIES OWNED**

Securities owned consisted of the following as of December 31, 2001:

	<u>Marketable</u>	<u>Not Readily Marketable</u>	<u>Historical Cost</u>
Securities and corporate bonds	<u>\$24,930</u>	<u>\$102,300</u>	<u>\$127,269</u>

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Computers	\$ 40,068
Furniture and office equipment	129,118
Leasehold improvements	<u>37,488</u>
	206,674
Less: Accumulated depreciation	<u>( 135,646)</u>
	<u>\$ 71,028</u>

**NOTE 4 - RELATED PARTY TRANSACTIONS**

The Company leases its corporate headquarters under an operating lease agreement with a related party owned and controlled by the stockholders. Total rent incurred on such lease for the year ended December 31, 2001 was \$168,000.

Management believes that the terms of the lease are substantially consistent with those which would have been negotiated with an unrelated party.

**YOUNG, STOVALL AND COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2001**

**NOTE 5 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). See Schedule 1.

**NOTE 6 - CONTINGENCIES**

At the balance sheet date, the Company was involved in two pending litigation cases involving securities arbitration before the National Association of Securities Dealers, Inc. The claimants in these cases have requested damages of approximately \$238,000 and \$150,000, respectively, plus interest, attorney's fees and costs. The Company intends to vigorously defend these claims which it believes to be entirely without merit. Counsel for the Company cannot predict the outcome with certainty based on conflicting evidence.

The outcome of these pending matters is not currently determinable. The relationship of the parties, case progress, and general complexity of issues concerning these matters preclude management and counsel from providing an opinion of expected resolution. Accordingly, the accompanying financial statements do not include adjustments, if any, that may arise due to the above matters.

YOUNG, STOVALL AND COMPANY

SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2001

**NET CAPITAL**

Total stockholders' equity	<u>\$621,522</u>
Deductions and/or charges:	
Non-allowable assets	
Property and equipment - net of depreciation	71,028
Other assets	145,201
Petty cash	<u>552</u>
	<u>216,781</u>
Net capital before haircuts on securities positions	<u>404,741</u>
Haircuts on securities:	
Corporate bonds	<u>( 997)</u>
Net capital	<u>\$403,744</u>

**AGGREGATE INDEBTEDNESS**

Items included in statement of financial condition:	
Commissions payable	\$ 86,318
Accrued expenses	<u>71,151</u>
Total aggregate indebtedness	<u>\$157,469</u>

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required	<u>\$250,000</u>
Excess net capital at 1500%	<u>\$153,744</u>
Excess net capital at 1000%	<u>\$387,997</u>
Ratio: Aggregate indebtedness to net capital	<u>.39 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

Net capital as reported in Company's Part IIa (unaudited) FOCUS report	\$403,744
Reconciling items:	
Auditors adjustments (net)	<u>0</u>
Net capital as above	<u>\$403,744</u>

# PINCHASIK · STRONGIN · MUSKAT · STEIN & COMPANY

A Professional Association of Certified Public Accountants

To the Board of Directors  
Young, Stovall and Company  
Miami, Florida

In accordance with rule 17a-5(e)(4) of the Securities and Exchange Commission, we have performed the following procedures with respect to the schedule (Form SIPC-7) of Securities Investor Protection Corporation assessments and payments of Young, Stovall and Company for the year ended December 31, 2001. Our procedures were performed solely to assist you in complying with rule 17a-5(e)(4), and our report is not to be used for any other purpose. The procedures we performed are as follows:

1. Compared listed assessment payments with respective cash disbursement records entries;
2. Compared amounts reported on the audited Form X-17a-5 for the period January 1, 2001 to December 31, 2001, with the amounts reported in the General Assessment Reconciliation (Form SIPC-7);
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting adjustments; and
5. Compared the amount of any overpayment applied with the Form SIPC-7 on which it was computed.

Because the above procedures do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the schedule referred to above. In connection with the procedures referred to above, nothing came to our attention that caused us to believe that the amounts shown on Form SIPC-7 were not determined in accordance with applicable instructions and forms. This report related only to the schedule referred to above and does not extend to any financial statements of Young, Stovall and Company taken as a whole.

*Pinchasik Strongin Muskat Stein & Company*

January 24, 2002

# PINCHASIK · STRONGIN · MUSKAT · STEIN & COMPANY

A Professional Association of Certified Public Accountants

January 24, 2002

The Board of Directors  
Young, Stovall and Company  
Miami, Florida

Directors:

In planning and performing our audit of the financial statements of Young, Stovall and Company for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal controls and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls and of the practices and procedures and to assess whether those practices and procedures can be expected to achieve the Commission's objectives.

Two of the objectives of internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



The Board of Directors  
Young Stovall and Company  
January 24, 2002  
Page 2

Because of inherent limitations in internal control or the practices and procedures, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters, involving internal controls including procedures for safeguarding securities, that we considered to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the objectives of the Securities and Exchange Commission.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and should not be used by anyone other than these specified parties.

Very truly yours,

*Pinchasik Strongin Muskat Stein & Company*